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Welfare reform and health insurance coverage of low-income families

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Abstract

We study whether welfare reform adversely affected the health insurance coverage of low-educated single mothers and their children. Specifically, we investigate whether changes in the welfare caseload during the 1990s were associated with changes in Medicaid participation, private insurance coverage, and the number of uninsured among single mothers and their children. Estimates suggest that between 1996 and 1999, the 42% decrease in the welfare caseload was associated with the following changes in insurance coverage among low-educated, single mothers: a 7–9% decrease in Medicaid coverage; an increase in employer-sponsored, private insurance coverage of 6%; and a 2–9% increase in the proportion uninsured. Among children of low-educated, single mothers, effects were somewhat smaller. Since welfare policy was responsible for only part (e.g. one-third) of the decline in the caseload, welfare reform per se had significantly smaller effects on the health insurance status of low-income families. However, we found limited evidence that changes in the caseload due to state and federal welfare policy had fewer adverse consequences on insurance status than changes in the caseload due to other factors. This implies even smaller effects of welfare reform.

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1. Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) eliminated entitlement to cash assistance, required recipients to meet new work requirements,

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and instituted lifetime time limits on participation. One of the main goals of the program was to move recipients of cash assistance (i.e. welfare), who are mostly women with children, off public assistance and into the workforce as quickly as possible. Many state welfare reform efforts that preceded PRWORA shared this emphasis on employment as a means to leaving public assistance. Partly as a consequence of these efforts, the number of welfare recipients dropped 62% between January 1993 and March 2001, from about 14.1 million recipients in 1993 to 5.4 million recipients in 2001.

A decline in the welfare caseload of this magnitude has the potential to reduce significantly the prevalence of health insurance among low-income families, particularly those headed by unmarried women. Health insurance coverage of these families may be adversely affected because those who leave, or are deterred from entering, the welfare program may find it difficult to obtain Medicaid coverage due to administrative hurdles, and because many of the jobs that low-skilled women typically obtain after leaving welfare do not offer private health insurance. This scenario is consistent with evidence from studies of former welfare recipients, which show that many women and children who left welfare are without insurance (Guyer, 2000).

If welfare reform led to loss of health insurance coverage, it would most likely reduce low-income families' health care utilization and possibly adversely affect the health of persons in these families (Currie and Grogger, 2002). Knowledge of such unintended consequences would almost certainly influence the debate over the efficacy of current welfare policy. In fact, the original Congressional deliberations over welfare reform led to bipartisan support to insure, through provisions in the legislation, that welfare reform did not affect health insurance coverage.

In sum, the effect of welfare reform on health insurance coverage is an important and timely public policy issue that is under-researched. In spite of the relatively sparse scientific literature on the subject, it is widely believed that welfare reform has adversely affected the health insurance coverage of low-income families. However, much of the information that is available on the issue has been produced by advocacy groups and is of questionable scientific value. Moreover, the few studies of this problem by social scientists have not reached a consensus on this issue underscoring the need for additional research.

In this article, we study whether welfare reform adversely affected the health insurance coverage of low-educated women and their children. Specifically, we obtain estimates of the effect of the welfare caseload and state and federal welfare reform policies on Medicaid participation, private insurance coverage, and the number of uninsured among low-income families. To obtain these estimates we use multivariate regression methods that control for the influence of the economy and other measured factors on health insurance coverage. To bolster the causal interpretation of our estimates, we use a pre- and post-test with a comparison group research design. For this procedure, we obtain regression estimates of the effect of the welfare caseload and welfare reform policy on insurance coverage for low-income families likely to be affected by welfare reform, and similar estimates for low-income families unlikely to be affected by welfare reform. The difference in these estimates is the effect of the welfare caseload and welfare reform policy on health insurance coverage of the affected group.

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